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MINISTRY OF COMMERCE AND INDUSTRY

RESOLUTION

*New Delhi, the 5th May 1961*

**No. 4(15)Tex(c)/60.**—The Ministry of Commerce and Industry in its Notification No. 4(74)Tex(c)/58, dated 18th/19th December, 1958 and 4(17)Tex(c)/59, dated 12th February, 1959 set up a Working Group to assess the progress made by the Handloom Industry and to make recommendations for its further development. The Working Group was also asked to evaluate the schemes for conversion of handlooms into powerlooms as well as the handloom Industry's programme in the Community Development Areas. The Working Group consisted of the following members:—

1. Shri V. Subramanian, I.A.S., Secretary, All India Handloom Board.
2. Smt. Pupul Javakar, Honorary Industrial Adviser (Textile Designs), All India Handloom Board.
3. Shri D. S. Sali, Vice Chairman, Bombay State Handloom Board and Member, All India Handloom Board.
4. Shri A. Mariappan, M.L.A., President, Ammapet Weavers' Co-operative Production and Sales Society and Member, All India Handloom Board.
5. Shri N. Ramaswamy, Deputy Secretary, All India Handloom Board.

2. During the course of its enquiry, the Group held ten meetings in all, undertook study tours of some of the States, conducted intensive surveys at selected centres and held discussions with the Chief Ministers and Ministers in charge of the handloom industry in various States as well as with State Government officials, Office-bearers of Apex Weavers Co-operative Societies and other co-operative societies.

3. The Working Group has submitted a unanimous report. A summary of the recommendations made by the Group is attached to this Resolution (Annexure). The Group has come to the conclusion that Government's policy of encouraging co-operative forms of organisations for the handloom industry is sound and has recommended that this policy should be pursued for the future also. The Government accept this recommendation fully and propose to continue this policy for purposes of financial and other assistance to the handloom industry during the Third Five Year Plan Period. At the same time, Government hope that the State Governments would carefully consider the Working Group's recommendations for rendering assistance to the Weavers outside the co-operative fold through the State Finance Corporations. While noting with satisfaction the progress made in the formation of weavers co-operative societies, the Working Group has pointed out certain weaknesses and shortcomings in the co-operative structure, which require rectification. Recommendations have also been made for strengthening the share capital structure of the existing co-operative societies, for reviving dormant societies, for adequate and competent managerial staff etc. These recommendations have been accepted in principle but the details of implementation are under examination. The pattern of assistance to the co-operative provides for financial assistance for supervisory and managerial/technical staff.

4. The Government of India agree with the Working Group that the scheme of rebate on sales of handloom cloth has contributed a good deal to the increase in the sale of handloom cloth and that it will have to be continued for sometime. However it cannot continue as a permanent form of subsidy to the industry. It was with this objective that Government decided to effect a gradual reduction in the rate of rebate from six nP. in the rupee to five nP. in the first instance so that the funds thus saved could be diverted to other more important developmental schemes, which will, in the long run, be of far greater advantage to the industry. This policy will continue to govern Government's approach to this scheme during the Third Five Year Plan period.

5. The Working Group has made various observations regarding marketing of handloom cloth through sales depots, mobile vans and publicity. These recommendations will be kept in view while examining the schemes of State Governments.

6. The Working Group has referred to the need for Weavers Cooperative Societies getting their credit requirements from institutional sources and has suggested that the difficulties besetting the smooth flow of credit should be removed. The scheme of extending credit through the Reserve Bank was introduced only recently. Government are convinced that by and large marketing credit should be obtained through the Reserve Bank and other institutional agencies who will be requested to investigate the difficulties and adopt measures which would result in a smooth flow of credit to the cooperatives. The Reserve Bank have already agreed in principle to extend financial assistance to Apex Societies for the purchase of yarn at concessional rates of interest under Section 17(2)(bb) of the Reserve Bank of India Act. They are also conducting seminars with a view to find out the defects in the existing system.

7. The Working Group has rightly emphasised the need for implementation by all the State Governments of schemes for collection of basic statistical data. In a dispersed industry like the handloom industry, this statistical data are of vital importance and Government hope that the State Governments would set in motion the necessary machinery for this purpose.

8. The Group has recommended that constant research should be undertaken in the Institutes of Handloom Technology and in the Weavers Service Centres to design the best and cheapest models of improved appliances for the handloom industry. Government accept these recommendations. The Institutes and the Service centres are already engaged in conducting research in various aspects of the handloom industry and they will no doubt keep this recommendation in view while formulating their research programme.

#### ORDER

Ordered that the Resolution be published in the Gazette of India and that it be communicated to all concerned.

#### ANNEXURE

##### *Summary of conclusions and Recommendations*

1. As a result of the schemes in operation during the First Five Year Plan, the position of the handloom industry became stabilised to some extent.

2. The total allocation to States during the Second Five Year Plan period would reach Rs 26.48 crores as against the anticipated outlay of Rs. 34.50 crores.

3. During the first three years of the Second Plan, the overall expenditure has been commensurate with sanction.

4. The performance in the matter of enlisting weavers within the co-operative fold is satisfactory.

5. The progress in bringing looms into the co-operative fold as well as the progress made by the societies in respect of their owned resources and working results show that the decision to organise the industry on co-operative lines was sound. The same policy should, therefore, be pursued for the future.

6. There are certain weaknesses and short-comings in the weavers' co-operative movement which should be rectified if it is to progress on right lines.

7. The procedure of sanctioning looms for share capital from the Cess Fund has proved helpful. For the Third Plan, the pattern of assistance for share capital may be so revised as to enable the societies to increase the share value to Rs. 100.

8. Publicity should be given by the All India Handloom Board to the activities of the societies which are run on efficient lines.

9. Adequate and competent managerial staff is necessary if weavers' societies are to function efficiently.

10. Dormant societies and newly-established societies at least require help in meeting the cost of management during their early years.

11. Assistance for managerial staff is necessary for a total number of 4 lakhs looms. The total annual expenditure on this at the end of the Third Five Year Plan would be Rs. 54 lakhs.

12. The Secretaries of Weavers' Co-operative Societies should be grouped into a Regional or District Cadre to be administered by the Regional or District Weavers' Co-operative Union.

13. The incidental administrative expenditure in running the Regional or District Weavers' Co-operative Union can be a legitimate charge on the organisational expenses of the State Government.

14. One of the reasons for the slow progress of the weavers' co-operative movement is the absence of loyalty of members.

15. In order to enable the societies to assist their members in times of difficulties and thus preserve their loyalty, it is necessary to institute a scheme of thrift fund to which the weavers should contribute a part of their wages and the Government should make a matching contribution of an anna in the rupee.

16. The scheme of matching contribution to the thrift fund should be instituted in respect of those weavers who have an unbroken record of loyalty to the co-operative movement for, say, a period of five years.

17. During the first two years of the Third Plan, all efforts must be concentrated on consolidating the results so far achieved.

18. No more than two lakhs of looms need be brought into the co-operative fold during Third Plan. This programme may be taken up during the second half of the Plan, although, in areas where there is a considerable improvement during the first half, efforts may be made to bring more looms into the co-operative fold during that period itself.

19. Activising dormant societies should be one of the important items of the programme during the Third Plan period.

20. Government will have to give a hundred per cent guarantee for losses to the banks and make available sufficient working capital to the dormant societies. If this is not possible, the Government of India should allocate the required amount from the Cess Fund.

21. State Governments should nominate their own Board of Directors for the dormant societies and a qualified Secretary and other staff should be made available.

22. In special cases, especially where apex societies have been set up only recently and their paid-up capital is low, State participation should not be limited to 51 per cent but assistance should be given on merits.

23. In the case of silk weavers' co-operative societies the share value should be increased to Rs. 200.

24. Certain areas important for the handloom industry and where the co-operative movement has already gained initial momentum should be selected and all possible assistance for the development of the industry in those areas sanctioned. Such areas, designated as "Beacon Areas", should be two or three in each major State.

25. It should be the aim to see that, in the Beacon Areas, all the existing looms as far as possible are brought within the co-operative umbrella.

26. A scheme for wiping out the indebtedness of the weavers in such areas should form an integral part of the development programme.

27. Production in the handloom industry had increased by 394.1 million yards during the first three years to the Second Plan.

28. The handloom industry is estimated to be increasing its production at an annual rate of 130 million yards.

29. At the same rate of increase, production should increase by 650 million yards during the Second Plan period.

30. This, when compared against the target of 700 million yards, would leave a gap of only 50 million yards.

31. On the basis of the estimated per capita consumption of 17.5 yards and a population of 410 million, the internal demand for cloth at the end of the Second Plan may be estimated to be 7,175 million yards as against the original expectation of 7,400 million yards.

32. The handloom industry has fulfilled the role assigned to it in the National Plan.

33. As a result of the development envisaged during the Third Plan, the per capita consumption of cloth can be expected to rise to at least 19 yards by 1965-66.

34. The annual internal demand for cloth at the end of the Third Plan may be estimated to rise to 8,360 million yards, representing an increase of about 1,185 million yards or say, 1,200 million yards.

35. The realistic estimate of handloom production at the end of the Third Plan can be placed at, at least 2,800 million yards. This represents an increase of 675 million yards or 66.25 per cent of the additional demand of cloth in the country.

36. For reaching a level of production of 2,800 million yards, the handloom industry would require yarn of the order of 1.56 million bales.

37. While the conversion factor of 4½ yards of cloth per pound of indigenous yarn corresponds to the pattern of production obtaining in the industry at present, the percentage of free yarn delivered to and consumed by the handloom industry would require verification.

38. It is necessary that the scheme for collection of statistics should be implemented by all the State Governments so that the figures of production obtained therefrom could be compared with the estimated figures of production.

39. A system whereby returns from powerlooms units could be enforced would be helpful in assessing the percentage of yarn consumed by the powerloom industry.

40. It will be useful if the pattern of distribution of the imported yarn to the various consumers is studied.

41. For various reasons it becomes difficult to measure the character and magnitude of employment obtaining in the industry.

42. An idea of the extent to which under-employment has decreased may be obtained by expressing it in terms of the number of persons required for producing the extra production.

43. Taking the figure of 5.3 yards as the level of full time employment it would require 2.48 lakhs persons to produce the extra quantity of 394 million yards.

44. The increased production would have given rise to employment for 3.72 lakhs persons in the preparatory processes.

45. The reduction in under-employment achieved in the industry can be regarded as equivalent to full-time employment for 6.20 lakhs new workers.

46. The total full-time employment generated as a result of development schemes can be reckoned at nearly 9,700.

47. It is estimated that the short-time employment provided will be equivalent to the employment of 1,300 persons for a period of 12 months.

48. It is estimated that the reduction in under-employment in the handloom industry by the end of the Second Plan period would be equivalent to new employment for 10.33 lakhs persons.

49. There has been a uniform rise in the earnings of the weaver.

50. As compared to April 1956, there has been a decrease during December 1958 in the percentage of weavers belonging to the lower earning-groups and an increase in all the higher earning-groups.

51. The wearers represented that the increase in earnings has been set off to a large extent by the increase in the cost of living.

52. It is necessary to set up a machinery to collect data regarding employment and earnings of weavers at frequent intervals.

53. The scheme for general publicity must be continued more intensively during the Third Plan period.

54. As regards quality control, a suitable scheme giving full details may be evolved so that it may be implemented on an uniform basis.

55. The reason for weavers' societies not taking full advantage of the scheme for participation in exhibitions is that the pattern of assistance is not liberal enough.

56. A grant of upto 1.5 per cent of the State's selling share should be adequate as assistance for sales promotion activities.

57. Sales depots have by and large functioned satisfactorily, though some have closed down owing to uneconomic working.

58. Norms prescribed for inter-state depots have not been reached in all cases and from this stand-point, the depots cannot be said to have functioned satisfactorily.

59. Schemes for depots in big cities, push carts, hawkers and assistance to multi-purpose societies were implemented on a limited scale in one or two States, and, by and large, they have worked satisfactorily.

60. All the 37 mobile vans sanctioned have been commissioned into service, but two of them have ceased to function.

61. As a commercial proposition, the scheme of mobile vans has not been successful. On the other hand, as a medium of publicity, the mobile vans have been doing valuable work for the industry in general, and the weavers' co-operative movement in particular.

62. For selling units, a new pattern of assistance should be evolved which will provide complete freedom to the implementing authorities to utilise the funds in any manner on any scheme of selling units. The basis for the new pattern should be the annual turnover within the cooperative production fold. A grant of 1.5 per cent of the turnover within the co-operative production fold may be given for selling units.

63. If the scheme of power-driven vehicles is vigorously implemented, the need for additional mobile vans may not arise.

64. If any State Government/apex society wishes to have additional vans, there should be no objection to it, and the provision of funds need not be linked with the number of looms as hitherto provided, however the pattern of assistance is altered to 50 per cent grant and 50 per cent loan to cover the cost of the van.

65. The existing vans, which are the property of the Government of India, may be handed over to the State Governments/apex societies provided they pay to the Government of India 50 per cent of their current book value.

66. It was the scheme of rebate which was primarily responsible for increasing the sale of handloom cloth.

67. There is no likelihood of the inherent handicap of the handloom industry vis-a-vis the mill industry being reduced or eliminated in the immediate future.

68. The repercussions of any increase in the excise duty on mill cloth will be felt by the textile industry as well as by the community.

69. Unless a protected market by total reservation of dhoties and sarees is given to the handloom industry (other than powerlooms) rebate or other alternative schemes to reduce the cost of production of handloom cloth and thereby the inherent handicap of the handloom industry will have to continue.

70. Since November 1958, the rebate on handloom cloth is only 6 nP. per rupee. This combined with the lower level of excise duty on mill cloth from July 1958 has widened the gap between the price of mill cloth and handloom cloth.

71. There is no force in contention that the rebate scheme has not benefited the consumer.

72. Bearing in mind the fact that the scheme is being implemented by a large number of selling units throughout the country, allegations about possible abuses of the scheme do not provide sufficient ground for abandoning it.

73. The suggestion to limit rebate to periods of large-scale accumulation of stocks may not be workable.

74. The suggestion that with mill production having been pegged the handloom industry should not need any form of financial assistance may not be acceptable.

75. Principally, the schemes alternative to rebate consist in the provision of assistance to the co-operative societies for the appointment of competent business managers and technical staff.

76. In course of time, inter-state marketing in its proper perspective can be developed by the All-India Handloom Fabrics Marketing Co-operative Society by opening Handloom Houses in some of the important State capitals of country.

77. Steps should be taken to set up a suitable machinery in the All India Handloom Board for market research.

78. The scheme of drawing credit from the Reserve Bank of India has not made much progress.

79. While the weavers' co-operatives should look to institutional sources for their credit, the difficulties which are standing in the way of the smooth flow of credit should be removed.

80. Where weavers' co-operative societies are financed by Central Co-operative Banks from their own resources, a subsidy to cover the difference in the rates of interest and a guarantee to reimburse the losses arising out of the non-recovery of such loans should be given.

81. The Reserve Bank of India should be persuaded to make financial assistance available to apex societies for the purchase of yarn at concessional rate of interest as in the case of finance under section 17(2) (bb) of the Reserve Bank of India Act.

82. The recommendation of the Working Group on Industrial Co-operatives regarding the formation of Industrial Co-operative Banks are endorsed and the Government are requested to take immediate steps to implement the same.

83. The Reserve Bank should be persuaded to examine the question of taking over the financing of Industrial co-operative factories and silk and wool weavers' co-operative societies.

84. State Finance Corporations should be persuaded to finance the handloom industry outside the co-operative fold with the help of the Reserve Bank of India. In areas where State Finance Corporations are not in a position to do so, the establishment of a separate finance corporation may be considered.

85. Assistance to weavers' co-operative for holding over stocks during slack season is imperative and such assistance may be given by the Reserve Bank of India at concessional rate as in the case of finance under section 17(2) (bb) of the Reserve Bank of India Act. The establishment of warehouses at important places where goods can be stored is also recommended.

86. There can be no objection to relaxation of the condition restricting to 33 1/3 per cent the contribution by interests other than weavers' co-operatives to the share capital of co-operative spinning mills and here need not be any rigidity about the share value of the different classes of shares.

87. If proper arrangements cannot be made with institutional financing agencies for the provision of working capital to the co-operative spinning mills, interest-bearing loans may be made available from the Cess Fund.

88. For ensuring a continuous supply of yarn to the primaries, serious consideration should be given to the appointment of apex societies as agents of mills and also to the sharing of losses incurred by apex societies supplying yarn at market rates.

89. The apex society and primary societies should be linked up in the purchase and supply of yarn. Till such time the apex society, in a State builds up sufficient strength to undertake the supply of yarn, that function may be looked after by a Corporation in which the principal participants would be State Governments, spinning mills apex societies and primaries. This Corporation should be a co-operative body.

90. The apex and other institutions supplying yarn to the primaries should be given actual users' licence for the import of dyes and chemicals.

91. Steps should be taken for appointing primary weavers' co-operative societies and other institutions as agents of indigenous manufacturers of dyes and chemicals and art silk yarn. //

92. Twenty-five per cent of the total quantity of dyes and chemicals available in the country should be reserved for the handloom industry.

93. While new export markets should be tapped to the fullest extent possible, the traditional markets will continue to be our mainstay and, therefore, require to be recaptured.

94. In the light of the increasing demand for handloom cloth in the United States of America, the Handloom Export Organisation and its Business Associates will be required to play a significant part in the export field.

95. For meeting the requirement of specialised export markets fullest use should be made of the existing industrial co-operatives, production centres of apex weavers' co-operative societies and strong primary societies and well-organised units of the Business Associates of the Handloom Export Organisation.

96. Steps should be taken to enable all fabrics meant for export to be quality stamped.

97. Assistance for exploring export possibilities in the traditional markets should be extended to the Fabrics Society.

98. The present scheme of export incentives should be re-examined with a view to liberalising it.

99. The co-operative sector of the handloom industry should be enabled to obtain a good portion of the export trade.

100. A Development Fund may be created for the purpose of giving assistance to the co-operative sector in the export field.

101. The progress in the implementation of schemes for technical improvement is satisfactory.

102. There should be a small committee in each State to look after the purchase and distribution of improved appliances.

103. Competent technical staff should be employed for supervising the distribution and use of improved appliances and if State Governments require assistance for this purpose, it should be given from the Cess Fund.

104. Short-term training courses for weavers in the utilisation of improved appliances should be started in the Weavers' Service Centres and the Institutes of Handloom Technology. Stipends should be given to the weavers during the training period.

105. Possibilities of standardising the various improved appliances should be explored.

106. There should be constant research in the Weavers' Service Centres and the Institutes of Handloom Technology in order to design the best and cheapest model of each improved appliance.

107. Research and experiments should be conducted for determining the best type of handlooms which would give optimum efficiency in production and optimum comfort to the weavers.

108. Three or four regional factories should be established for the manufacture of improved types of equipment.

109. During the Third Plan period, assistance for equipments should be 50 per cent as loan and 50 per cent as grant.

110. The quantum of assistance for take-up-motion attachments and for frame looms should be increased to Rs. 100 and Rs. 250 respectively.

111. State Governments should be cautious in the supply of frame looms.

112. Mechanical warping and sizing may be introduced as an experimental measure.

113. Refresher training at the Weavers' Service Centres or the Institutes of Handloom Technology would enable the hereditary dyers to function more efficiently.

114. Comparatively larger types of dye houses should be established.

115. Dye houses should be housed as focal centres through which the yarn should be supplied to primaries.

116. The apex societies which are not strong enough to undertake the distribution of yarn to primaries should be given special assistance.

117. Assistance for the large dye houses proposed may be in the form of loan for land and building and grant for machinery.

118. Mobile dye houses have not been of any great consequence and their continuance is not recommended.

119. The progress made in the installation of bleaching, finishing and calendering plants is disappointing.

120. It will be better to entrust the planning and execution of schemes for finishing, calendering and bleaching plants to qualified engineering firms.

121. Assistance in the shape of loan should be given towards the working capital of finishing plants in deserving cases.

122. The advisability of going in for small calendering plants may be explored.

123. Pattern making factories have generally not fulfilled the purpose for which they were set up. The objective for which the pattern making factories were set up can be served by the Weavers' Service Centre.

124. There should be generally one Weavers' Service Centre for each State with sub-Service Centres as may be necessary.

125. With regard to the scheme for deputation of weavers to weaving centres within and outside the State, the grant admissible from the Cess Fund may be raised to Rs. 200 per weaver.

126. The recommendation of the Working Group on Industrial co-operatives regarding the training of members and employees of co-operative societies should be implemented expeditiously.

127. Training of supervisory staff in technical aspects should be undertaken by the Institutes of Handloom Technology.

128. It is necessary to provide adequate technical staff of competence at the level of the department administering the Cess Fund Scheme. If State Governments require any additional assistance for this purpose such assistance should be given from the Cess Fund.

129. The grant for organisational expenses may be increased from 4 per cent to 5 per cent of the ceiling share.

130. There should be ample delegation of powers from the Centre to the States in regard to sanction of schemes.

131. The All-India Handloom Board should have on its organisation adequate machinery both at the headquarters and at the regional levels, so that a comprehensive study of the impact of the development schemes at the various regions can be made.

132. The progress in the implementation of the powerloom schemes is disappointing.

133. It will not be possible for the State Governments to instal and start working more than 5,000 powerlooms before the end of the Second Plan.

134. A realistic estimate of the number of powerlooms that can be installed by the end of the Third Plan would be only about 13,000 including those installed in the Second Plan period.

135. The number of powerlooms to be allotted per society should be increased from 10 to 25.

136. It is not necessary to impose any restriction to the introduction of the powerloom scheme to cities on account of population.

137. There is no case for exemption of powerlooms whether in the co-operative fold or otherwise from excise duty.

138. The progress in the establishment and running of industrial co-operative factories is not appreciable.

139. There should be no expansion of loomage in the handloom industry.

140. Assistance for the formation of industrial co-operative factories should be given only in exceptional cases.

141. There should be no insistence on the possession of a loom for memberships to a co-operative society.

142. No society shall admit loomless weavers to an extent greater than 2 per cent of its existing membership every year.

143. Where assistance for the purchase of looms is given to loomless weavers all possible attempts should be made to rent or buy over looms from master weavers under whom the loomless weavers were working.

144. Housing schemes have made considerable headway in Madras, Andhra Pradesh and Bombay. In the other States, the scheme has generally lagged behind.

145. The rate of interest on housing loans should be reduced, say to 1 per cent.

146. A grant up to 2 per cent of the cost of the housing scheme should be sanctioned for the appointment of supervisory staff.

147. The ceiling per house should be raised to Rs. 5,000 in urban or costly areas, and in such cases the maximum grant may be limited to Rs. 1,250 or 25 per cent of the actual cost.

148. It might be a good idea for State Governments to give developed sites at reasonable cost to weavers' co-operative societies for construction of houses.



149. In housing schemes, 80 per cent of the subsidy should be payable immediately the construction reaches the roof level and the balance 20 per cent after the accounts have been completed.

150. Standards may be laid down in respect of handloom cloth to be supplied to Government.

151. The notification requiring mills to stamp the count-strength product of the yarn packed and delivered by them, which was issued and withdrawn, should be re-issued.

152. In all their purchase of textile requirements, Government should adopt a general policy that the order of preference for supply should be first Khadi, second Handloom and third, the Mill industry.

153. The price for handloom cloth to be supplied to Government should be settled by negotiation as is done in the case of Khadi.

154. The All-India Handloom Board should concern itself with the weaving of all textiles by hand, including artistic weaving of textiles, whether of cotton, mill-spun yarn, art silk, silk or wool.

155. The number of handlooms registered represents very nearly the total number of cotton handlooms existing.

156. Early steps should be taken to register handlooms working on silk, art silk, woollen or other yarn.

157. The programme of publicity undertaken by the All-India Handloom Board has generally been effective.

158. Advertising consultants should be associated with the publicity programme.

159. Producer publicity should be encouraged.

160. The loans repaid should go to add to the funds available for the development of handloom industry or should be made available as a revolving fund for being used for special purposes.

161. The recommendations entail a total outlay of Rs. 14,019 lakhs during the Third Plan period.

162. The All-India Handloom Board should undertake a special study of problems of silk and wool weavers' co-operatives with a view to framing special programmes for the development of the silk and woollen handloom industry.

D. S. JOSHI, Additional Secy

